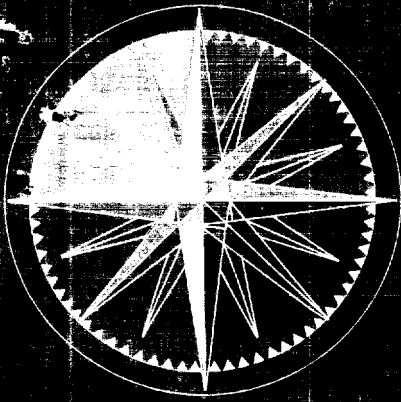


15 May 1964

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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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State Dept. review completed



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C O N T E N T S

(Information as of 1200 EDT, 14 May 1964)

<u>THE COMMUNIST WORLD</u>	<u>Page</u>
SINO-SOVIET CONFLICT INTENSIFIES	1
At no time since the dispute broke into the open last July has it appeared more irreconcilable.	
KHRUSHCHEV'S VISIT TO EGYPT	2
Khrushchev is dramatically demonstrating Soviet support for nationalist movements in the underdeveloped world and, by contrasting Soviet deeds (like the Aswan Dam) with Chinese words, also advancing Moscow's efforts to counter Peiping's influence in the Afro-Asian world.	
SOVIET CHEMICAL PLANT BUYING IN DOLDRUMS	3
Moscow has not made any significant chemical equipment purchases since Khrushchev announced his program last year. The delay stems from a scarcity of foreign exchange, a continuing need for extraordinary grain imports, and probably indecision about the program itself.	
NEW SOVIET MOBILE AIR DEFENSE MISSILES	4
The eight new twin-mounted missiles displayed on 1 May in Moscow appear to be operational weapons intended for a mobile air defense role in Soviet field forces. Their range is probably at least 50 nautical miles.	
INCREASE IN GSFG TACTICAL NUCLEAR MISSILE CAPABILITY	4
Recent increases observed in the number of launchers assigned to the tactical surface-to-surface missile units in the Group of Soviet Forces, Germany, have significantly augmented the GSFG's nuclear fire support.	

TREND TOWARD BILATERAL COORDINATION IN CEMA	5
Rumania's strong opposition to supranational planning appears to be leading other members of the Council for Mutual Economic Assistance to put greater emphasis on national interests. As a result, bilateral coordination of economic plans and policies, rather than the	

~~SECRET~~

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THE COMMUNIST WORLD (continued)

Page

multilateral coordination Moscow prefers, remains their principal form of cooperation.

IMPENDING CHANGES MAY WEAKEN CZECH PRESIDENT'S POSITION 6

New moves to reduce the prestige and authority of a presidential office unique in the Communist world may be part of a process which could lead eventually to hard-liner Novotny's ouster as party boss as well.

CHINESE COMMUNIST RESETTLEMENT IN SINKIANG 7

Peiping is stepping up resettlement of people from East China to Sinkiang, on the Soviet border, to strengthen Chinese control in an area populated chiefly by Muslim minorities traditionally hostile to Peiping's rule and now susceptible to Soviet efforts to stir up trouble.

NORTH VIETNAMESE "NEW LANDS" PROGRAM 8

Hanoi is engaged in a five-year (1961-65) program to resettle a million Vietnamese in the northern highlands inhabited by potentially dissident minority peoples.

ASIA-AFRICA

DEVELOPMENTS IN LAOS 9

The Communists have improved their military positions east and north of the Plaine des Jarres and now are warning Premier Souvanna, who is trying to work out a solution to the government crisis, of the "unpredictable consequences" of further political moves without their approval.

SOUTH KOREAN CABINET SHAKE-UP 10

The appointment of Chong Il-kwan as premier may calm the country's political turbulence, at least temporarily.

MODERATES REGAIN UPPER HAND IN SYRIAN MILITARY REGIME 10

Salah al-Din Bitar, a moderate ousted last fall, has been reappointed prime minister, and the current government reorganization will probably further decrease the influence of the radicals. Strong man General Hafiz retains real control.

ARAB REACTION TO FIRST ISRAELI TESTS OF JORDAN PROJECT 11

Israel is trying to play down the significance of this first actual flow of water in order to reduce the impact in the Arab world. Arab reaction thus far has been relatively mild.

SECRET

SECRET

<u>ASIA-AFRICA (continued)</u>	<u>Page</u>
THE UNITED NATIONS OPERATION IN CYPRUS	12
The 6,300-man force has been able so far to do little more than keep violence from spreading. Its commander considers his peace-keeping task "impossible." The UN political mediator sees no solution in less than a year.	

EUROPE

POSITION OF NON-GAULLIST POLITICAL PARTIES IN FRANCE	
With municipal elections due this fall and a presidential race in prospect before the end of 1965, France's old-line parties are trying to reassert the influence they lost when the Fifth Republic was formed. However, their efforts to establish a basis for united action against the Gaullists are hampered by the same divisions which split them in the past. (Published separately as Special Report OCI No. 0331/64B)	
BONN'S RELATIONS WITH EAST GERMANY	13
The protracted pass negotiations between West Berlin and East German representatives have been adjourned until 10 June. Bonn now seems inclined to be more flexible on this and other issues with the Ulbricht regime.	
THE SUCCESSION PROBLEM IN SPAIN	14
The Franco regime is cautiously divulging the broad lines of its plans for the governmental leadership after Franco dies or steps down. Franco presumably will not delegate his principal powers while he is in office.	
NOTES ON LOCAL ELECTIONS	15
In Britain and Italy	

WESTERN HEMISPHERE

ELECTION AFTERMATH IN PANAMA	16
The final official results will probably confirm the apparent victory of government presidential candidate Robles, although the two main opposition parties are charging that illegal means were used to bring it about.	
NEW BRAZILIAN GOVERNMENT'S POLICIES TAKING FORM	17
The Castello Branco administration's cautious and methodical approach to Brazil's perplexing problems has so far had a distinctly reformist character, with priority on achieving fiscal stability and on combating corruption, Communism, and various forms of extremism.	

SECRET

WESTERN HEMISPHERE (continued)

Page

ELECTORAL DEVELOPMENTS IN BOLIVIA

18

25X1 With elections set for 31 May, the political situation
has become more complex than ever.

AREA NOTE

On the Dominican Republic

19

SECRET

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The Communist World

SINO-SOVIET CONFLICT INTENSIFIES

Peiping's renewed offensive against Moscow and sharp Russian counterattacks have brought the Sino-Soviet conflict to a new pitch of intensity. At no time since it broke into the open last July has the struggle appeared more irreconcilable.

Peiping's contemptuous open letter of 7 May sets the tone for the current phase. Accompanied by the publication of secret correspondence with the Soviet party--to document charges of Russian duplicity--the letter reflects Chinese confidence that the climate in the world Communist movement is such that Moscow cannot convene an all-party meeting against China. It argues cogently that any such conference in the foreseeable future would produce an open split--for which the Russians would be responsible.

The Chinese remind Moscow that "many other fraternal parties, including some which have ideological differences with us," oppose any attempt to move quickly. Noting that some parties have already split, with both parts claiming to be the only true Marxists, the Chinese raise the specter of interminable wrangling over which group should be invited to a meeting. They point out further that there now is no international Communist organization with authority to call meetings, and assert that a unilateral call for a conference cannot be justified.

Similar points have been made implicitly by the Italian, Rumanian, and other parties fearful of a clean-cut division which might

subject them to the discipline of one camp or the other.

Although Peiping's letter repeats earlier expressions of eagerness for a world conference, its Fabian timetable for preparations appears intended to put off a formal trial of strength. Peiping proposes May 1965 as the earliest possible date for a bilateral meeting with the Russians--which would be only the first step in preparing for an all-party conference four, five, or even more years away.

Moscow has mounted an increasing barrage of anti-Chinese articles concentrating on "ideological exposure" of Peiping's alleged subversive activities within the bloc. An editorial in Komunist on 6 May and a series of Pravda articles beginning on 10 May constitute the backbone of the current Russian riposte.

At the same time Moscow is attempting to counter Chinese efforts to build influence outside the Communist world and has recently launched a campaign to discredit Peiping with the Afro-Asian movement (see next article). Moscow's major objective is to be invited to the second Afro-Asian conference, scheduled for March 1965. At the preparatory meeting at Djakarta in April the Chinese violently opposed moves to invite Moscow and the question was deferred. The Russians sent a formal government statement to all African and Asian states on 4 May affirming the USSR's status as an Asian power, and followed up this move with an intensive effort to influence Afro-Asian leaders through diplomatic and informal contacts.

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The Communist World

KHRUSHCHEV'S VISIT TO EGYPT

Khrushchev's visit to Egypt is dramatically demonstrating Soviet support for nationalist movements in the underdeveloped world. This event--like Algerian President Ben Bella's visit to Moscow just the week before--also advanced Soviet efforts to counter Chinese influence in Afro-Asian countries. Moscow, increasingly concerned about Peiping's attempts to build "a Chinese wall" between the Soviet Union and the underdeveloped countries, now is seeking to contrast Chinese words with Soviet deeds.

In his speeches in Egypt, Khrushchev has dwelt upon the broad community of views and interests linking Moscow and Cairo. He has used the close conformity of Soviet and Egyptian anticolonial policies, as well as the Aswan Dam, as a visible symbol of Soviet support for the underdeveloped world, to refute Chinese charges of Soviet disregard of "national liberation movements."

Khrushchev also has reminded his audiences of Soviet support for Egypt during the Suez crisis of 1956 and of the continuing Soviet economic and military aid. He has emphasized Moscow's support for Arab and African unity, for the Arabs against Israel, and for the removal of Western bases from

Libya, Aden, and Cyprus. As in the case of the Ben Bella visit to Moscow, he has side-stepped such divisive issues as the suppression of local Communists by the Arab governments.

While the USSR has long sought to expand its influence in Africa and the Middle East at the expense of the West, the present activities appear to be directed primarily against the Chinese. Moscow clearly is concerned over the Chou En-lai visit to Africa early this year and over Chinese attempts to dominate front groups and to exclude the USSR from the Afro-Asian conference to be held next year (see preceding article).

To undercut these efforts, Soviet officials accorded extremely flattering treatment to Ben Bella during his visit and gained his assent to a communiqué giving wide support for Soviet policies, particularly toward the Afro-Asian world. While in Egypt Khrushchev pointedly remarked that the USSR is an Asian country, thus qualified to attend an Afro-Asian conference. He portrayed the Aswan Dam as an example of "the cooperation of Eastern peoples."

To give further impetus to this campaign, Khrushchev may visit Algeria after leaving Egypt on 24 May.

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The Communist World

SOVIET CHEMICAL PLANT BUYING IN DOLDRUMS

The USSR has not made any significant purchases of Western chemical equipment since the announcement late last year of Khrushchev's chemical plant import program. The delay is due to a scarcity of foreign exchange, the continuing need for extraordinary outlays for grain imports, and probably some indecision on the makeup of the chemical program itself.

Soviet delegations have continued to inspect Western facilities and engage in preliminary negotiations. The head of Russia's chemical import corporation held long talks in the UK in February, First Deputy Premier Kosygin visited Italian factories producing chemical equipment in March, and a large Soviet technical mission arrived in West Germany in late April. French, British, West German, and Japanese delegations of chemical equipment producers, ready to conclude deals, have again visited Moscow. None is known to have concluded a contract.

the USSR has divided its chemical equipment orders into two groups. The first represents purchases planned before Khrushchev's announcement, and the second--apparently still in a formative stage--would comprise additional equipment required for the seven-year (1964-70) chemicalization program.

final decisions under the latter program will not be made

until late summer. The few contracts which have been concluded for chemical equipment in recent months fall in the former category.

Despite Moscow's growing need for foreign exchange to support stepped-up purchases, there is little evidence that Soviet exports are expanding sufficiently to provide new sources of hard currency. Soviet officials recently have talked of growing commodity sales, but exports are rising only moderately.

Meanwhile, the USSR continues to search for extensive long-term credits. Thus far it has not received any credit other than medium term. While the British Government has agreed to guarantee a small portion of the long-term loans Moscow needs, government regulations elsewhere in Western Europe limit the availability of such credits.

The signing of purchase contracts for chemical equipment may be postponed in any case until the size of grain purchases later this year can be estimated. By midsummer the USSR probably will be able to judge the success of its own harvest. The \$800 million worth of grain purchases in 1963 and early this year have reduced the Soviet gold stockpile to \$1.3 billion. Additional wheat purchases will further reduce this reserve.

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The Communist World

NEW SOVIET MOBILE AIR DEFENSE MISSILES

The eight new twin-mounted missiles displayed for the first time in the Moscow May Day parade appear to be operational weapons intended for a mobile air defense role in Soviet field forces. They represent a developmental departure from previously deployed Soviet surface-to-air (SAM) systems.

The new missiles should have a range considerably greater than that of the SA-2 SAM--probably at least 50 nautical miles, a limit imposed only by the capability of their guidance radar. For tracking targets, the new

mobile SAM system would require long-range air surveillance and tracking radars for maximum effectiveness.

To date, none of the new missiles have been detected in bloc field units. If they are intended for widespread deployment to fulfill a mobile SAM defensive role, it is doubtful that any significant additional numbers of a mobile SA-2 (Guideline) will be deployed in an area where large field forces are located.

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INCREASE IN GSFG TACTICAL NUCLEAR MISSILE CAPABILITY

Recent increases observed in the number of launchers assigned to the tactical surface-to-surface missile (SSM) units in the Group of Soviet Forces, Germany (GSFG), have significantly augmented the GSFG's nuclear fire support. The total number of launchers now available to the Soviet forces in East Germany apparently is 50 percent greater than the number initially deployed. Such an increase would be consistent with current Soviet military doctrine which regards nuclear firepower as the most decisive factor in tactical combat operations.

The free-rocket-over-ground (FROG) battalion in each of the 20 GSFG divisions may have had its FROG launcher strength augmented by one, for the present total of three. The battalions

are equipped with the FROG 3 and FROG 4 models with ranges of 35,000 and 55,000 yards respectively. Each of the six SSM (Scud) brigades--one for each GSFG army--may now comprise three battalions containing three Scud launchers apiece. The Scud A is being replaced with the newer B, which can deliver a nuclear warhead up to 150 nautical miles--twice the range of the A.

The Scud A system has been noted with increasing frequency in satellite units. These missiles were displayed publicly in Rumania on 23 August 1963, are known to be in Czech and Polish ground forces, and are believed to be in East Germany, Hungary and Bulgaria.

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HIGHLIGHTS OF 1964 DEVELOPMENTS INVOLVING THE BLOC'S COUNCIL
FOR MUTUAL ECONOMIC ASSISTANCE (CEMA)

- 1 Jan The CEMA International Bank and the system for multilateral settlement of accounts began operations, with a more limited sphere of activity than desired by some CEMA participants.
- 22 Jan Delegation led by Soviet Deputy Premier Lesechko arrived in Prague for the first meeting of the Soviet-Czechoslovak Intergovernmental Commission for Economic, Scientific, and Technical Cooperation, established in November 1963.
- 5 Feb A similar Soviet-Hungarian Commission was established.
- 12 Feb Hungarian Vice Premier Apro revealed negotiations for establishment of a Czechoslovak-Polish-Hungarian metallurgical association and plans of Hungary and Czechoslovakia to create a joint enterprise to produce basic materials for agricultural plant protectives.
- 19 Feb Bulgarian leader Zhivkov announced establishment of a Soviet-Bulgarian Commission, similar to the first two established.
- 3 Apr Khrushchev, in his Budapest Opera speech, stated that all CEMA countries have equal rights and that interests of individual states must be taken into consideration. He stated that countries must, however, coordinate short-term and long-range economic plans, merge efforts, and perfect the entire system of mutual relations.
- 13-15 Apr Polish leader Gomulka visited Moscow and signed an agreement to create a Soviet-Polish Commission, similar to the three already in existence.
- 22 Apr Rumania, in a central committee declaration, publicly announced its opposition to establishment of a CEMA organ with supranational authority and to schemes for cooperative production of raw materials and joint control/ownership of industry as an infringement on national sovereignty. Rumania stated: (1) it intends to pursue its national economic policy of industrialization, and (2) CEMA should aim at equalizing the level of economic development of member states, mainly by coordinating economic plans.
- Late Apr Two meetings of CEMA specialists were apparently boycotted by Rumania.
- Apr-May Representatives to CEMA stated, on the occasion of the organization's 15th anniversary, that bilateral ties will be strengthened and that this mechanism will be increasingly used by the CEMA Executive Committee and in programs not directly related to CEMA.

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The Communist World

TREND TOWARD BILATERAL COORDINATION IN CEMA

Rumania's strong opposition to supranational planning appears to be leading the other members of the Soviet bloc's Council for Mutual Economic Assistance (CEMA) to put greater emphasis on national interests. As a result, bilateral coordination of economic plans and policies continues to be their principal form of cooperation. The priority currently being given to bilateral coordination of five-year plans for the 1966-70 period has sharply increased the number of bilateral commissions and meetings in recent months.

CEMA members continue to support such multilateral projects as the unified power grid and the International Bank. These, however, are largely technical in nature and serve the national interests of the participants. Even Rumania, the most outspokenly nationalistic CEMA member, joins in these projects.

Meanwhile, differing views on CEMA activities continue to be expressed. Poland's CEMA representative has indicated that differences among member countries dominated discussion at the CEMA Executive Committee meeting which ended 25 April. On 3 April Khrushchev stated that progress in multilateral coordination of plans and other areas of cooperation is not adequate. On the other hand, Rumania publicly declared in a party statement on 22 April that its own national interests will be the sole determinant of its participation in CEMA activities.

Recent statements of several CEMA representatives indicate that other countries support this Rumanian stand in various degrees, and that their national interests too will play a more important role in determining their future policies.

The CEMA representatives of Poland, Hungary, Bulgaria, and East Germany have indicated that they expect bilateral bodies will be used more extensively to implement CEMA programs and programs not directly related to the organization itself. Moscow's recent establishment of bilateral economic commissions with four of the European satellites indicates that, to this extent, the USSR accepts this approach, which has been gaining momentum since the July 1963 CEMA Council meeting. In recent months there has been an increase in meetings of previously existing intersatellite bilateral economic commissions, and new bilateral and trilateral bodies have been created.

Bilateralism will continue to be the principal form of CEMA cooperation until after the coordination of the 1966-70 plans. The future of bilateralism will depend on how effective it proves to be, and whether the remaining Eastern European countries, several of which are currently readjusting some phases of their domestic economies, decide it is to their advantage to support Rumania's independent position or to endorse the increased multilateralism which Moscow apparently still desires.

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The Communist World

IMPENDING CHANGES MAY WEAKEN CZECH PRESIDENT'S POSITION

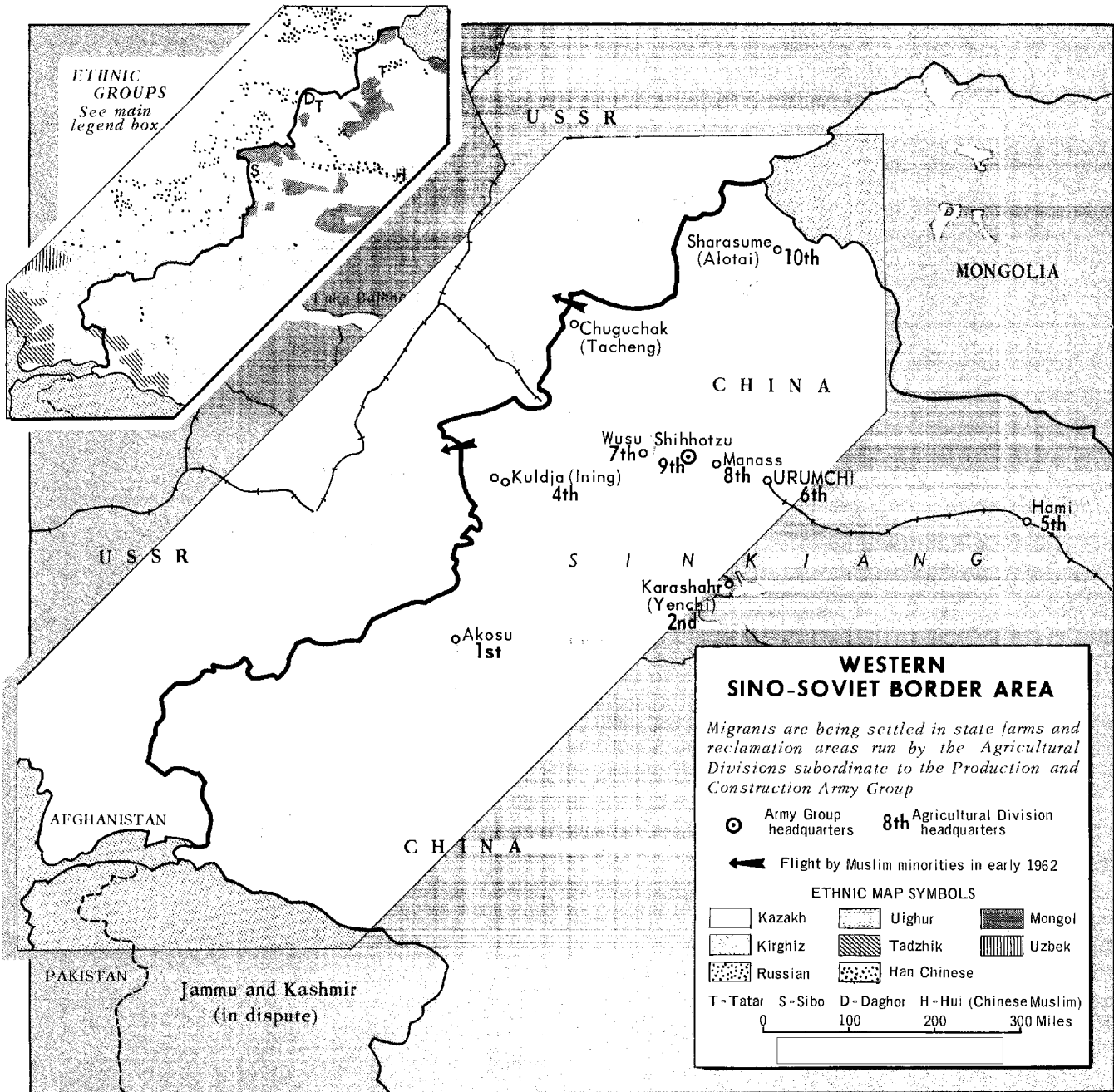
New moves to reduce the prestige and authority of Czechoslovakia's president and party boss, Antonin Novotny, are probably in the offing. Hard-liner Novotny for the past year has been the target of party liberals anxious to rid the Czech regime of the Stalinist old guard.

Within the next few weeks the government will probably announce changes in the structure and powers of its executive and legislative branches which would reduce the importance of the presidency. A reference to such changes made by Novotny himself in a March speech suggests that the National Assembly will be strengthened so that, ultimately, the executive branch can be "assimilated" by the presidium of the assembly.

Unlike the other Eastern European countries, Czechoslovakia has a strong executive and parliamentary form of government--retained from the days of its first constitution under Masaryk because of the symbolic significance it has for the Czechs. Although the legislature exercises no real power today, the Communists have hesitated to destroy the prestige and power embodied in the presidency. Weakening the office, however, would ease the problem of finding a successor for Novotny and provide a legal, face-saving method for curbing his powers.

Downgrading the presidency could also be the first move leading to his eventual ouster from his other leading position--party first secretary. Novotny in any case has lost authority in the party as a result of the past year's power struggles. It was the party presidium, of which Novotny is a member, that recommended the changes in the executive and legislative branches of the government. Moreover, Novotny's failure to figure in, or in some cases even attend, important party conclaves in past months suggests that he may even now be little more than a figurehead in party affairs.

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The Communist World

CHINESE COMMUNIST RESETTLEMENT IN SINKIANG

The Chinese Communists are stepping up the resettlement of people from East China to Sinkiang near the Soviet frontier, apparently as an additional measure to strengthen Chinese control in an area populated chiefly by traditionally hostile Muslim minorities. These minorities are ethnically related to groups living on the Soviet side of the border, and Peiping has become extremely sensitive to the Soviet potential for stirring up trouble among them.

Since 1962, when tens of thousands of Muslims crossed the border to accept Soviet asylum and riots ensued in the town of Kuldja, the Chinese have closed the Soviet consulates there and in Urumchi, evacuated inhabitants from a 20- to 25-mile strip of the border, and reinforced border guards.

The present Peiping leadership, like most previous Chinese regimes, believes that the only long-run solution lies in the introduction of large numbers of ethnic Chinese settlers who would

dominate Sinkiang's economic and political life. Only about a million of the 7 million people in Sinkiang now are ethnic Chinese, but present signs are that this number will be increased, perhaps substantially, over the next few years.

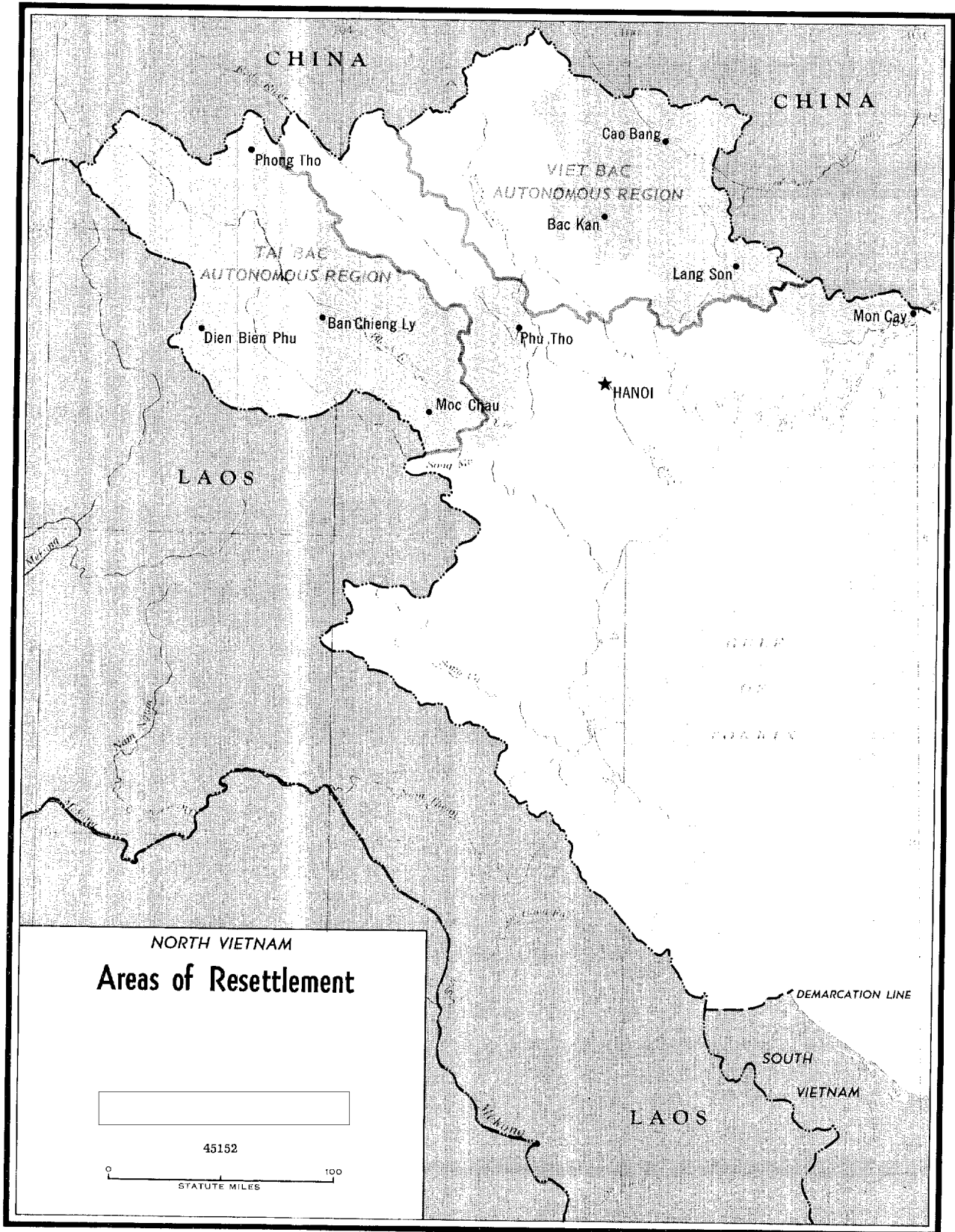
The current drive to resettle people in Sinkiang at first involved unemployed youth in Shanghai who had become a major social problem. It was later extended, however, to rural areas of East China. Available information indicates that tens of thousands of people will migrate to Sinkiang from East China during the first six months of 1964 alone. The resettlement scheme, run by the quasi-military Sinkiang "Production and Construction Army Group," appears to be well organized.

Peiping undoubtedly expects that the settlers will eventually become economically self-sufficient, but it realizes that at first they will have to be subsidized. Propaganda aimed at inducing Shanghai youths to join previous migrants in Sinkiang emphasizes the healthy, creative life they can expect there. Apparently the regime recognizes that the migrants must be reasonably well fed, clothed, and housed lest they merely add to the security problems in Sinkiang.

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The Communist World

NORTH VIETNAMESE "NEW LANDS" PROGRAM

North Vietnam claims that, in the last six months, 170,000 of its people have been moved to mountainous regions on its borders with China and Laos--areas inhabited by minority peoples whose loyalty Hanoi questions. This forced migration is part of a five-year program (1961-65) to transfer a million people (300,000 workers and 700,000 dependents) into the sparsely settled north. As of the end of April, 340,000 Vietnamese had reportedly "volunteered" to go there with the largest portion assigned to the autonomous regions of Tai Bac and Viet Bac.

Although the announced purpose of this colonization is to increase agricultural production and exploit potential mineral and forest resources, the political and defense significance of the program is the regime's primary concern. Aware of the dissidence potential of the traditionally hostile minority peoples in the highlands, the regime has been extremely cautious in enforcing such unpopular programs as forced procurement and socialization. Recent efforts to improve the security of these areas include a limited expansion of the road network.

The reluctance of Vietnamese rice farmers to resettle in

these remote highland areas prevented the French from completing a similar program, and press reports indicate that the Communist regime is experiencing the same problem. The Communists, emphasizing the development of lumbering, orchards, livestock, and industrial crops, have found that delta peasants are not eager to participate in a pioneering effort which does not concentrate on food production. During the past year the regime, in order to meet resettlement quotas, has been forced to shift from farm families to labor battalions of youths.

Despite these difficulties, the program--reminiscent of China's efforts to resettle its minority-populated Sinkiang area along the Soviet border--continues to receive a high priority. The regime may find it costly to keep the migrants from infiltrating back home and to feed, clothe, and house them until they can become economically self-sufficient. Although the program runs the risk of increasing the friction between the minority peoples and the encroaching settlers, Hanoi apparently believes on balance that it will strengthen security--both internal and external--in these sensitive border areas.

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Asia-Africa

DEVELOPMENTS IN LAOS

Communist military forces in Laos have driven rightist and neutralist forces out of the mountainous areas south of Route 7 and east of the Plaine des Jarres. On 14 May, Pathet Lao forces, reportedly supported by North Vietnamese and dissident neutralist troops, were attacking right-wing positions at Tha Thom, a strategic village controlling the northern approaches to the Mekong valley.

In Vientiane, meanwhile, Premier Souvanna is continuing his efforts to work out a compromise solution to the government crisis. He appears for the moment to have eased pressures from rightist leaders by announcing his intention to replace two left-leaning neutralist cabinet members now living in Phnom Penh. He also has indicated that he intends to appoint a successor to the Foreign Ministry post held by the late Quinim Pholsena. The Pathet Lao, however, have sharply criticized proposals for any reshuf-

files made without their approval. Pathet Lao chief Souphannouvong on 9 May warned Souvanna not to replace the two absent neutralists, adding that the premier would have to bear "all the serious and unpredictable consequences" of such an act.

On 12 May, Souvanna reorganized the command structure of the recently "merged" neutralist and rightist military forces. The key positions were assigned to rightist officers, with General Amkha--the only neutralist appointed--designated deputy inspector general, a post of secondary importance.

Neutralist military leaders, including Amkha and Kong Le, earlier had expressed disillusionment over the new "national" army and characterized so-called integration as "an enormous piece of right-wing hypocrisy." The officers indicated that, in fact, they now were more isolated than ever.

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Asia-Africa

SOUTH KOREAN CABINET SHAKE-UP

Changes in the South Korean cabinet announced this week should calm, at least temporarily, the political turbulence which has handicapped President Pak Chong-hui's administration.

The new prime minister is retired general Chong Il-kwan, a former ambassador to the US and army chief of staff during the Rhee era. He retains the foreign affairs portfolio he held in the previous cabinet. He is a popular figure with support in both political and military circles, and has been relatively neutral in the factional struggle over strong man Kim Chong-pil. His appointment thus could help repair the breaches in the ruling Democratic-Republican Party.

As chairman of the party, Kim apparently played a prominent role in the selection of new cabinet members. However, since the new prime minister is politically astute and is known to covet a dominant power position, he could become a rival of Kim's.

On balance the cabinet appears to have been strengthened. Chong Ki-yong, the new deputy prime minister and chairman of the key Economic Planning Board, has a reputation for self-confidence and ability to get things done. Better qualified men also head other important economic ministries. The new education minister, a Kim Chong-pil stalwart and secretary general of the government party, is the only one who appears to have been named for purely political reasons.

Prime Minister Chong has emphasized that he will continue to work for an early normalization of relations with Japan. The government's determination to continue its policy in this sensitive area appears borne out by the selection of Yi Su-yong as minister of public information. As senior South Korean observer at the UN, Yi has done an outstanding job and the administration may feel his talents now can be better used to sell a Japanese settlement to a reluctant South Korean public. In view of the public emotions and political uncertainties in both Seoul and Tokyo, however, early action remains doubtful.

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MODERATES REGAIN UPPER HAND IN SYRIAN MILITARY REGIME

Recent developments in Syria indicate that moderate Baathist leaders led by General Amin al-Hafiz are gaining ascendancy, at least temporarily, over radical elements within the military regime. Salah

al-Din Bitar, a moderate who had been ousted from the government last October, was reappointed prime minister on 10 May, replacing Hafiz, who retains real control. The current governmental reorganization will probably

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Asia-Africa

further decrease the influence of the radical group.

The regime's attempts to implement doctrinaire socialist measures in the Syrian economy had met with intense opposition from conservative groups. The unusually harsh sentences imposed on participants in the strikes and disorders last month further increased public hostility. Hafiz has now commuted most of the severe sentences, however, and there have been no new serious incidents. Bitar's appointment is probably designed to further appease opposition elements by presenting at least a facade of civilian participation in the government.

In fact, however, power remains in the hands of the military. Bitar and his cabinet will only advise a five-man presidential council, to be headed by Hafiz. The ruling military group, the National Council for Revolutionary Command, will continue to exercise both executive and legislative control.

Rumors of coup plotting continue. Extremist government leaders command considerable support within the army and, as they see their influence dwindling, they might still attempt a take-over. [REDACTED]

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ARAB REACTION TO FIRST ISRAELI TESTS OF JORDAN PROJECT

Israel announced on 5 May that tests of its Jordan River project had begun and that some water was being discharged into the main conduit. Similar tests will continue for several weeks along the line and, if no major adjustments are required, the project will go into operation this summer.

The Israeli Government is trying to play down this first actual flow of water into the system by pointing out that tests have been under way for some time. It hopes thereby to reduce the impact of the announcement in the Arab world.

Arab reaction thus far has been relatively mild. In Cairo, where Khrushchev lent public support to Arab objections to the project, the initial re-

sponse reflects the fact that the summit conference of Arab leaders held there in January had already taken this development into account.

The Israeli announcement has also received fairly routine handling in Syria, where the Baathist regime is preoccupied with serious internal dissension (see above). The Baathists did seize the opportunity to align Nasir with Zionism and American "imperialism" as scapegoats for Arab inaction. Cartoons ridiculed a cynical Nasir mouthing pious statements while, in practice, ignoring the Arabs' cause.

Under the circumstances, meaningful progress toward the Arabs' objective of diverting the Jordan's headwaters appears doubtful. [REDACTED]

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Asia-Africa

THE UNITED NATIONS OPERATION IN CYPRUS

The UN operation in Cyprus, jerry-built and slow in getting organized, has so far been able to do little more than keep violence from spreading. Irish troops from the UN force were called on last week to prevent possible widespread violence in the eastern port city of Famagusta after an exchange of gunfire which killed two Greek Army officers, a Greek Cypriot, and a Turkish Cypriot. Meanwhile, the size of the Canadian contingent in the mountains along the north coast has been tripled in anticipation of new fighting there.

The UN military force--commanded by Indian General Gyani, a capable officer with considerable experience in the UN Emergency Force in Palestine--now totals about 6,360 men. Some 950 Danes are due to arrive in May and June to replace British troops, which still constitute the bulk of the peace-keeping contingent. The three-month mandate for the force expires on 26 June, but UN Secretary General Thant will probably seek to have the Security Council extend it for at least another three months.

The UN military operations officer in New York as of 5 May was quite optimistic that the UN force could keep things under control, although he expressed some concern about the future actions of the 650-man Turkish contingent, which he believes would be the likely cause of any major difficulties. Gyani, on the other hand, recently characterized his task as

"impossible," and is highly critical of the activities of the Turkish Cypriots and the Turkish Government. Presumably in answer to criticism that Gyani is overburdened with "political matters," Thant this week appointed Galo Plaza of Ecuador as his special representative to negotiate directly with the opposing Cypriot communities.

The UN mediator from Finland, Sakari Tuomioja, estimates that it will take two months to complete his formal report to Thant and probably a year to arrive at "some sort of Cyprus solution." Tuomioja presently envisages a government based on the 1960 constitution, reinforcing Greek Cypriot majority rule but with a UN observer present to protect the Turkish minority.

As in other peace-keeping operations, the UN Secretariat faced formidable difficulties in mounting the Cyprus operation and then in finding UN members willing to put up money or men to accomplish the objectives they themselves supported. The Security Council directives concerning use of force and other military matters have been imprecise. Moreover, Thant's hesitancy to act directly on his own and his tendency to avoid controversy serve to enhance the Secretariat's difficulties. Nevertheless, the UN operation in Cyprus seems to be a going concern and over the long term will probably succeed in keeping a damper on.

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Europe

BONN'S RELATIONS WITH EAST GERMANY

The protracted pass negotiations between representatives of the West Berlin Senat and the East German regime have been adjourned until 10 June. Bonn now seems inclined to be more flexible in its relations with East Germany.

The negotiations for another pass arrangement similar to the one allowing West Berliners to visit East Berlin last Christmas remain deadlocked over the issue of again permitting East German officials in West Berlin to process applications. The stalemate results to a considerable extent from the political maneuvering in preparation for next year's West German elections. West Berlin Mayor Willy Brandt's Socialists and Chancellor Erhard's governing Christian Democrats are both trying to derive political advantage from the pass issue.

After the Christmas pass operation, Erhard said he would not again agree to the presence of East German officials in West Berlin to process passes. However, State Secretary Carstens' recent statement that the government would not oppose some form of "concealed" presence indicates that Bonn's position is softening.

Bonn now seems to be more concerned about another aspect of the pass issue. It fears that the repeated co-signing of official agreements by West Ber-

lin and East German authorities would not only convey a degree of recognition to the East German regime but also support the Communist assertion that West Berlin is a political entity separate from the Federal Republic.

Bonn continues to restrain Brandt from negotiating a new pass arrangement which might be more acceptable to the Senat than to the Federal Republic. At the same time, it is trying unsuccessfully to tempt Pankow into concessions by holding out the prospect of deliveries of fertilizer badly needed by East Germany. The East Germans strongly oppose linking the pass issue with trade matters.

Furthermore, Bonn seems to be taking a more liberal position toward East German leader Ulbricht's proposal for a limited exchange of newspapers with the Federal Republic. The idea was initially turned down because of the legal and practical problems involved. In the face of public criticism, however, and the proposal's evident attraction for the Bundestag parties, the government has since announced that the offer is still under consideration. Bonn officials, nevertheless, are uncertain how much of a sale the East German Communist newspaper, Neues Deutschland, will have in the Federal Republic. They are also skeptical that East German authorities will permit the unhindered circulation of West German newspapers in the GDR. 25X1

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Europe

THE SUCCESSION PROBLEM IN SPAIN

The Franco regime is cautiously divulging the broad lines of its plans for Spain's governmental leadership after the Generalissimo dies or steps down.

On 1 April Franco told the press that laws were being prepared to round out and define the roles of the chief of state and the head of government and to elaborate the system for appointing them. Eight days later he told the national council of the Falange organization that it was necessary to define these roles because many of the powers he presently holds are "nontransferable." He made no reference to a timetable or the specific steps involved. In the press interview he stressed the need for a "social popular and representative monarchy."

Franco's rather vague statements on constitutional reform were discussed by Vice President Munoz Grandes in an early April conversation with Ambassador Woodward. Munoz Grandes said the government was searching for a way to give the people a voice in the selection of a chief of state, either by a referendum to pass on a selected candidate or by an

election to choose between two or more candidates. He said he himself prefers broader participation in electing members of parliament, which, he said, should have the power to reject cabinet ministers nominated by the chief of state. Munoz Grandes feels there is little popular interest in the monarchy and that Franco's recent emphasis on it is not to be taken too seriously.

Franco presumably will not delegate his principal powers as long as he remains in office. Nor is he likely to agree that restrictions on civil liberties, including a multiparty system, may be lifted immediately after his departure, since he has repeatedly insisted that any future regime must adhere to the basic principles of the Falange.

Munoz Grandes, Franco's most likely, if probably temporary, successor, is a leading candidate for the post of head of government if it is created. Although Munoz Grandes favors freer public expression, he has indicated that it should not be allowed to obstruct orderly processes of government.

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Europe

NOTES ON LOCAL ELECTIONS

Britain: The British electorate's swing to the opposition Labor Party continued in last week's borough council elections. Sizable Labor gains were registered not only in working-class areas but also in such staunch Conservative strongholds as Portsmouth, Darlington, St. Albans, and Ramsgate. The Liberal Party also did badly, losing three seats to the Laborites or Conservatives for every one gained. In several constituencies, the Liberals' losses make it doubtful that incumbent Liberal MPs will be able to hold

their seats in the October general elections.

These results are roughly consistent with the most recent public opinion poll findings which give Labor a lead of nine percentage points over the Conservatives. Some political observers believe that the Conservatives cannot close this gap by October, and are guessing that Labor will end with a 75-seat parliamentary majority. Other forecasters are predicting even larger Labor margins.

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Italy: The 10-11 May balloting to establish an administration for the newlycreated Friuli-Venezia Giulia Region in northern Italy produced no upsets. As expected, the parties of the national coalition government in Rome obtained a majority in the new 61-member council, with 28 seats going to the Christian Democrats, 7 to the Nenni Socialists, and 6 to the Saragat Social Democrats.

The Nenni Socialists showed a 20-percent loss compared with 1963, because of the defection of part of their left-wing following to form the new Proletarian Socialist Unity Party (PSIUP). However, the PSIUP, despite substantial funds from the economic right, managed to elect only one candidate, and, in the opposition, neither the Communists nor the rightist parties made the large gains which had been predicted.

This was the first important election since the formation of the Moro government last December, and as such was watched for indications of its effect on relations among the parties in the coalition government. The slight Christian Democratic gains may serve Moro at the party's national congress next month as proof that its center-left policy has not reduced its voting appeal. However, since these votes came from the right, Moro's right-wing opponents in the party may feel encouraged to increase their efforts to head off the government's reform program.

The Socialist losses to the PSIUP, on the other hand, may compel Vice Premier Nenni to step up pressure for early government action on these reforms in order to prevent further losses to the PSIUP in nationwide municipal elections this fall.

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Western Hemisphere

ELECTION AFTERMATH IN PANAMA

The two main opposition parties in Panama are charging that the government used illegal means to ensure the apparent victory of Marco Robles in the 10 May presidential election. While the parties may have proof of fraud, the government's skillful handling of the election thus far indicates that the official vote counting, which begins on 16 May, will confirm government candidate Robles' election.

25X1 The US Embassy has been informed [redacted] that election results announced so far by the press--which give Robles an 11,000-vote lead in a total of some 328,000 ballots--are not accurate. [redacted]

[redacted] Arnulfo Arias received more votes, and Robles fewer, than the premature releases by the National Election Tribunal have shown.

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Arias believes he won the election by 2,000 votes. Since representatives of all 19 parties presumably were given certified copies of the totals from each voting precinct--as the law requires-- [redacted]
25X1 there will be grounds for challenges. On the other hand, the government will probably be able to convince the independent par-

ties that their cooperation now would pay political dividends.

The Opposition Alliance, which backed the third-place candidate, Juan de Arco Galindo, has already filed a formal complaint charging the Chiari government with electoral coercion, and Arias has announced that he, too, will file a complaint. The embassy believes that since Arias is short of funds and unsure that his followers are sufficiently well organized for a successful popular protest, he is likely to stick to legal means in protesting the election results.

25X1 However, Arias has called for a general strike to back his charges of electoral fraud. His followers are largely concentrated in the cities of Panama and Colon, but they are probably unwilling to risk reprisal by the National Guard or the loss of their jobs. [redacted]

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Western Hemisphere

NEW BRAZILIAN GOVERNMENT'S POLICIES TAKING FORM

The month-old government of President Humberto Castello Branco in Brazil is beginning to assume a distinctly reformist character although many of its policies remain to be clearly developed. It has indicated that it intends to continue the cautious and methodical approach it has taken thus far toward Brazil's persistent and perplexing problems.

"Operation Cleanup" against Communists and other extremists appears to be slowing down in most areas, although the government continues to fire public officials and to suspend political rights. The authorities are beginning to demonstrate that they are concerned not only with combating Communism and corruption but also with restructuring the country's political framework. Legislative and other political leaders are studying several plans for electoral reform as well as a proposal that Brazil again adopt a parliamentary form of government.

Most reform measures to date have occurred in the economic field, where the administration is trying to temper the reaction to several unpopular measures by promulgating others with a more favorable public impact. It has, for example, given priority to low-cost housing projects and reasonable pay raises for military and civil service personnel, while at the same time exploring ways to cut the budgets of all min-

istries by 30 percent. The abolition of substantial import subsidies on petroleum, newsprint, and wheat probably will be especially unpopular with Brazilian consumers and some business interests, but the government considers this move vital to reducing its huge budget deficit. This and other moves demonstrate the primary importance the government attaches to improving its fiscal position.

The foreign policy now taking shape in Brasilia appears distinctly more pro-Western than that of the Goulart regime. The Castello Branco government's basic antipathy to Castro was manifested well before it formally severed relations with Cuba on 13 May. There are also indications that Castello Branco will take Brazil's inter-American obligations and traditional friendship with the US more seriously than did Goulart.

Potential sources of new difficulty for the government have arisen. Powerful landowners in several areas are reportedly using the revolution as an excuse to restore semifeeudal conditions on their estates.

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Western Hemisphere

ELECTORAL DEVELOPMENTS IN BOLIVIA

The political climate in Bolivia, with national elections scheduled for 31 May, is beginning to heat up. The situation now has become more complex than ever as a result of a strong effort by former president Hernan Siles Zuazo to gain control of the ruling Nationalist Revolutionary Movement (MNR).

Siles has suggested a plan which he maintains would reunify the badly divided party. His ultimate purpose, however, appears to be to supplant President Paz Estenssoro as party chief--and again MNR presidential candidate--and to regain the presidency for himself.

Under Siles' plan, the elections would be postponed for a year, during which time the splinter National Revolutionary Party of the Left (PRIN) headed by incumbent Vice President Juan Lechin, and the dissident Authentic Revolutionary Party (PRA) would be allowed to reassociate with the MNR. Meanwhile, Congress would select an interim president--who could be Paz himself--to serve for a year, but Paz would not be eligible for re-election next year. Both PRIN and PRA have agreed in principle, contingent upon Paz' reaction.

Siles has been playing on the mutual animosity and dis-

trust between Paz and his new vice-presidential running mate, General Rene Barrientos, in hopes of pressuring Paz and his followers into accepting the plan. Barrientos is also feuding with the party's professional politicians, who are generally loyal to Paz.

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On 11 May, Jose Rojas Guevara, a powerful peasant leader and Barrientos supporter, announced that he is withdrawing his support of Paz in favor of Siles.

Meanwhile, Lechin appears to be awaiting developments within the MNR before deciding whether to lead an insurrection as he has threatened to do ever since he split with Paz last November. At the moment, the PRIN and other opposition groups plan to boycott the elections.

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Western Hemisphere

AREA NOTE

The Dominican Republic's provisional regime appears to have strengthened its position last week by taking firm measures to end a series of strikes that began on 2 May with an illegal walkout by taxi drivers. Three leading opposition parties, in collaboration with extreme leftists, had tried to turn the strikes into a move to oust the ruling triumvirate.

On 8 May the government ended the taxi strike by threatening to arrest the strikers, broke up a sympathy strike by dockworkers by bringing in other workers to move cargoes, and blocked a similar move by the National Federation of Teachers

by promising to fire teachers who participated. On the same day an estimated 30 political prisoners, most of whom were members of the outlawed Dominican Popular Movement or 14th of June Political Group, were deported to Portugal.

Leaders of the Revolutionary Social Christian Party and ex-President Bosch's Dominican Revolutionary Party deny giving the strikers anything but sympathy, but predict that "crisis will follow crisis" until the regime announces early elections. Ex-President Balaguer's Reformist Party may have given the strikers some financial support.

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